

Message Text

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ACTION EB-03

INFO OCT-01 SS-14 ISO-00 ARA-06 NSC-05 NSCE-00 INR-05

CIAE-00 L-01 SP-02 EUR-08 PRS-01 /046 W

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R 151908Z APR 75

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 2909

C O N F I D E N T I A L SANTIAGO 2688

LIMDIS

FOR ASST SECRETARY ROGERS AND ASST SECRETARY ENDERS

EO 11652: GDS

TAGS: BBAK, BDIS, CI

SUBJECT: BUSINESS DISPUTE: GENERAL TIRE/INSA

REFS:

A. STATE 055742

B. SANTIAGO 1743

C. SANTIAGO 2128

1. SUMMARY. GENERAL TIRE CORPORATION (GT) HAS INITIATED ACTION IN CHILE TO RECOVER FUNDS WHICH IT PREVIOUSLY COLLABORATED IN TRANSFERRING TO SECRET EUROPEAN BANK ACCOUNT. THIS ACTION WAS APPARENTLY ILLEGAL UNDER CHILEAN LAW. IT APPEARS THAT SOME MONEY FROM ACCOUNT WAS USED FOR POLITICAL AND OTHER PAYOFFS IN CHILE. GT HAS ATTEMPTED TO GET EMBASSY INVOLVED IN ITS DEALINGS WITH GOC, BUT WE HAVE DECLINED TO DO SO. WE SUSPECT THERE IS MORE TO THIS CASE THAN GT HAS TOLD US, PERHAPS EVEN INCLUDING ACTIVITIES ILLEGAL UNDER U.S. LAW. END SUMMARY.

2. EMBASSY WISHES TO BRING TO YOUR ATTENTION POSSIBLE HARMFUL IMPLICATIONS FOR U.S. FOREIGN POLICY OF ACTIVITIES IN CHILE OF GENERAL TIRE CORPORATION.

3. REF A AND REF B GIVE BACKGROUND OF GT'S CONTINUING ATTEMPTS
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TO RECOVER CERTAIN FUNDS WHICH WERE CHANNELED OVER A PERIOD OF YEARS FROM CHILEAN FIRM GENERAL/INSA (36 PERCENT OWNED BY

GT) INTO A FOREIGN BANK ACCOUNT. THIS ACTIVITY WAS APPARENTLY ILLEGAL UNDER CHILEAN LAW. DURING PAST WEEK STORY HAS SURFACED IN LOCAL PRESS THAT GENRAL/INSA OPERATIONS ARE BEING INVESTIGATED BY CHILEAN CENTRAL BANK AND TAX OFFICE (REF C). PRESS STORIES IMPLY THAT GT WAS INJURED PARTY.

4. GOC INVESTIGATION OF GENERAL/INSA IS AT GT'S INSISTENCE. GT'S GENERAL COUNSEL AND VP, TRESS PITTENGER, DURING VISIT TO SANTIAGO TOLD ECONOMIC/COMMERCIAL COUNSELOR THAT ESTABLISHMENT AND OPERATION OF SECRET BANK ACCOUNT HAD BEEN WITH GENERAL KNOWLEDGE OF GT LEADERSHIP; GT IS INTERESTED IN RECOVERING MONEY (PERHAPS \$2 TO \$3 MILLION) FOR CHILEAN OPERATION BUT THAT GT'S MAIN OBJECTIVE IS TO USE THIS ISSUE TO CAPTURE OPERATIONAL CONTROL OF GENERAL/INSA FROM WILHELM SCHIESS; AND THAT GT IS PREPARED TO TAKE FULL RESPONSIBILITY FOR ANY ILLEGAL ACTS IT MAY HAVE COMMITTED.

5. JUST BEFORE PITTENGER LEFT CHILE HE MENTIONED TO ECONOMIC/COMMERCIAL COUNSELOR THAT GT HAS LIST OF POLITICAL AND OTHER PAYOFFS MADE BY GENERAL/INSA FROM SECRET ACCOUNT. HE SAID MANY NAMES ON LIST ARE STILL VERY PROMINENT IN CHILE. WHILE PITTENGER DENIED INTENTION TO USE LIST, HE DID NOT RULE OUT POSSIBILITY HE WOULD DO SO UNDER CERTAIN CIRCUMSTANCES-- I.E., IF THIS WERE ONLY WAY TO GET GOC TO TAKE ACTIONS GT WANTED AGAINST SCHIESS.

6. YOU WILL NOTE THAT GT HAS ATTEMPTED TO GET EMBASSY DEEPLY INVOLVED IN ITS LEGAL MANEUVERS IN CHILE. WE HAVE DECLINED TO DO MORE THAN ASSIST GT IN MAKING APPOINTMENTS WITH GOC OFFICIALS.

7. WE HAVE HAD FEELING SINCE THIS CASE FIRST AROSE THAT THERE IS MORE TO IT THAN GENERAL TIRE HAS TOLD US. ALLEGED POLITICAL AND OTHER PAYOFFS TO PROMINENT CHILEANS COULD BE REAL DYNAMITE IN HANDS OF SOME PEOPLE HERE. IN ADDITION, IT RAISES QUESTION OF WHETHER GT VIOLATED U.S. LAW AS APPARENTLY HAPPENED IN "UNITED BRANDS" CASE.

8. IT IS ENTIRELY POSSIBLE THAT WE ARE TOO SUSPICIOUS.
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NEVERTHELESS, WE WANTED YOU TO KNOW OF OUR CONCERN.
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